

S Lloyd, Roger
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L73dsLc State Lands' cost
1992 allocation report



TERESA OLCOTT COHEA
LEGISLATIVE FISCAL ANALYST

STATE OF MONTANA

Office of the Legislative Fiscal Analyst

STATE CAPITOL
HELENA, MONTANA 59620
406/444-2986

MAH 3 4 1994

September 14, 1992

TO: Legislative Finance Committee

FROM: Roger Lloyd
Associate Fiscal Analyst *Roger Lloyd*

RE: Department of State Lands' Cost Allocation Report

House Bill 2 requires the Department of State Lands (DSL) to study methods for allocating administrative costs to various state special revenue funds and to report on its findings to the Legislative Finance Committee. Although its report was scheduled for presentation at the June and July 1992 meetings, time constraints prevented the presentation and discussion. However, LFC members did receive a copy of DSL's report and the LFA analysis. Copies are attached. The department's report and the LFA analysis showed that DSL's current general fund appropriation could be reduced through an administrative cost allocation plan.

Although the department's June report recommended no change in the current method of allocating administrative costs (and its 1995 biennium budget request will reflect this), the department has reconsidered and informed me it will present a cost allocation plan to the Natural Resources Subcommittee during the 1993 legislative session. A copy of this letter is attached.

These memos are for your information only. Since DSL has not yet finalized its proposed cost allocation plan, it will not be presented to the Legislative Finance Committee at the September meeting.

RL3B:lt:lfc9-11.mem

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DEPARTMENT OF STATE LANDS

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STAN STEPHENS, GOVERNOR

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STATE OF MONTANA

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1625 ELEVENTH AVENUE
HELENA, MONTANA 59620

September 9, 1992

MEMORANDUM

TO: Roger Lloyd, Legislative Fiscal Analyst

FROM: Bob Kuchenbrod, ~~Administrator~~^{Director}
Central Management Division

RE: DSL/Indirect Cost Proposal

As a follow-up to my memo to Senator Jacobson, Steve Yeakel and Terry Cohea, dated August 14, 1992 concerning Central Management's Indirect Cost Proposal, we have altered our plan somewhat, but will comply with the original directive.

Our budget submittal this August 31, 1992 included a mixed funding for Central Management but not a comprehensive plan that included our State Special Accounts. We have certain concerns about "tapping" those accounts and we would like to address the Appropriation Subcommittee for Natural Resources about our use of our State Special Accounts to support Central Management.

Therefore, as we discussed, we will submit to the Subcommittee the different options of an indirect cost proposal and ask the members to provide us direction.

/ns

cc: Dennis D. Casey
Al Christianson
Flo Smith



TERESA OLCOTT COHEA
LEGISLATIVE FISCAL ANALYST

STATE OF MONTANA

Office of the Legislative Fiscal Analyst

STATE CAPITOL
HELENA, MONTANA 59620
406/444 2986

June 15, 1992

TO: Legislative Finance Committee

FROM: Roger Lloyd *Roger Lloyd*
Associate Fiscal Analyst

RE: Department of State Lands Report on Administrative Costs Required in House Bill 2

BACKGROUND

Of the 13 state special revenue accounts used to fund the Department of State Lands (DSL), none currently contribute to funding administrative costs of the department. The natural resources appropriation subcommittee, with legislative concurrence, added language to House Bill 2 directing the department to explore alternatives for funding administrative costs from state special revenue accounts. It was the subcommittee's intent that a more equitable method for allocating administrative costs be explored to reduce the reliance on general fund. It recommended that the department report to the Legislative Finance Committee by July 1, so that the department and the Office of Budget and Program Planning could consider the committee's comments prior to preparing the department's 1995 biennium budget request.

House Bill 2 requires the department to:

"... conduct a study of the options and methods available for allocating administrative costs to the various state special revenue funds managed by the agency. The department shall present the findings of its study to the legislative finance committee by July 1, 1992, along with its recommendation, affected accounts, and any required statute changes."

The department has fulfilled the House Bill 2 requirement, and this memorandum presents an analysis of the report submitted to the Legislative Finance Committee.

OPTIONS CONSIDERED

The department considered two options. Option 1 assesses state special revenue accounts the same rate as the federal indirect cost rate for all programs administered by the department. In fiscal 1992, this rate was 6.9 percent. Option 2 bases administrative costs on personal services expenditures.

DEPARTMENT RECOMMENDATION

The department chooses neither option as the preferred method for allocating administrative costs. Instead, it recommends that the current funding of administrative costs be continued.

ANALYSIS OF RECOMMENDED OPTION

Current Funding of Administrative Costs

Currently, the department funds administrative costs in the Central Management Division with federal indirect revenue (8 percent) and general fund (92 percent), as the following table shows. General fund pays all administrative costs not paid by federal indirect cost revenues.

Department of State Lands Allocation of Appropriated Administrative Costs		
	<u>Fiscal 1992</u>	<u>Fiscal 1993</u>
General Fund	\$1,308,686	\$1,276,664
Federal Funds	112,654	112,596

State Special Revenue Accounts Reviewed

The department considered 11 of the 13 state special revenue accounts used to fund its programs. The two not considered are new accounts established by the 1991 legislature for cabinsite sales and opencut reclamation (Senate Bill 253):

1) Cabinsite Fees The Board of Land Commissioners sets cabinsite fees. However, the legislature included language in House Bill 2 stating, "the legislature recommends that the Board of Land Commissioners amend its cabinsite rules to require lessees who apply for sale of their cabin sites to reimburse the department for all expenses it incurs in processing the sale applications." This has not yet been done.

2) Opencut Reclamation Senate Bill 253 (82-4-424, M.C.A.) includes administrative costs as allowable expenditures of revenue received from opencut fees, fines, and penalties.

Of the 11 accounts considered, accounts 02460 (Reclamation-RIT grants) and 02458 (Reclamation and Development) were not included in the study. The department stated that since these accounts "are not managed by our department" they should not be included in the study. However, subcommittee discussion indicated that the department should include all state special revenue accounts used to fund its program, not just those "administered" by the department. Since the department has appropriations from these accounts and there is no prohibition on using the funds for administrative expenses, assessments from these accounts could be made. In fact, the Department of Natural Resources and Conservation funds a portion of its administrative costs from the Reclamation and Development account.

The 9 state special revenue accounts included in the study are:

<u>Accounting Entity</u>	<u>Name</u>
02031	Forest Resources - Nursery
02039	Forestry - Fire Protection Taxes
02073	Forestry - Slash Disposal
02096	Reclamation - Bond Forfeitures
02449	Timber Stand Improvement
02450	State Lands Resource Development
02451	Reclamation - Hard Rock
02837	Forestry - Brush Disposal
02838	DSL Environmental Impact Statements

DEPARTMENT'S CONCLUSIONS

The department concludes that 3 of the accounts (Bond Forfeitures, Resource Development, and Hard Rock) cannot be utilized to pay administrative costs without statutory changes. However, applicable statutes do not prohibit paying administrative costs. Other state agencies have found that with similar statutory guidance, assessments for administrative costs can be made since it is recognized such expenses are true "costs of doing business" and are a part of the statutory use of the funds.

The department concludes that the remainder of the accounts could be assessed administrative costs. However, it states that the assessments would impact the school trust fund and the public that pays the fees. The department's report primarily discusses the potential fee increases that would be borne by landowners, miners, and loggers if an appropriation for administrative costs was made. The department's report discusses reducing program expenditures in only two accounts, the Timber Stand Improvement and the Nursery. It states that the number of seedlings planted would be reduced by 25 percent and nursery services provided to the public would be seriously reduced if administrative costs were funded out of existing funds.

Although the department recognizes that allocation of administrative costs is a fair and equitable approach, its decision to recommend continued funding of administrative costs with general fund is based on its perception that the "impact (of increased fees) will be substantial and that the ramifications will be well-voiced".

COMMITTEE ACTION

Options for committee action include:

- A. Approve the department's recommendation to continue the current method of paying administrative costs with general fund.
- B. Not approve the department's recommendation to continue the current method of paying administrative costs with general fund and encourage the department to:
 - 1. Assess administrative costs to all state special revenue accounts at the same rate as the federal indirect cost rate in its 1995 biennium budget request; and
 - 2. Request any necessary statutory changes to allow assessment of administrative costs to the state special revenue accounts.

RL3A:lt:dsl6-10.mem

The Department of State Lands, was directed by the 1991 Legislative Assembly to conduct a study of options and methods for allocating administrative costs to the various state special revenue accounts. The following is the results of our study and the recommendation of the department.

The two common methods of allocating the cost of providing administrative functions to a department are (1) based on personal services costs or (2) applying the federal indirect cost rate. Both methods require access to the state special accounts and in many cases statute changes would have to be approved by the Legislature. But beyond the methodology, is the question of using such funds to support administrative costs, why the funds are collected?, for what purpose?, how the funds are used?, and the impact of redirecting the revenue to other purposes and how that impacts the user that pays the fee.

The department has 11 state special revenue accounts that could support the agency's administrative function. Two of the accounts, the RIT fund accounts, 02460 and 02458, are not managed by our department and therefore are not included in our study.

The other accounts have been analyzed and they are presented in the following as to the source of funds, the purpose of the funds, the restrictions of use, suggested alternatives, the statutes involved and the financial impact on the public.

As one can observe, all the increases impact the public one way or another, higher fees for additional revenue would increase the cost of doing business, and a reduction in services due to re-directing revenue to support administrative costs would provide less services for the public.

.02450 Resource Development

Source of Funds - 2.5% of Trust Revenue are deposited in the state special Resource Development Account.

Purpose of Funds- to be invested in the improvement and development of state lands increasing revenue to the trust.

Restrictions of Use - Funds must be used for Resource Development.

Alternatives - None, cannot be utilized for other purposes.

Statute Change 77-1-604 & 606 - Amend to increase percentage to meet new demands and allow use of funds to deviate from current law.

Impact on Public - Diversion of funds for Resource Development indirect costs will reduce revenues to the school trusts.

.02451 HARD ROCK - Fines, Fees and Penalties

Source of Funds - Fines, fees or penalties assessed for noncompliance of performance concerning reclamation projects.

Purpose of Funds - Funds are used to complete projects that were not completed to the specifications of the reclamation regulations.

Restrictions of Use - No personal services are recorded as expenditures to the account and all available funds are used to research, reclaim, revegetate the land affected by mining operations.

Alternatives - None, cannot be used for other purposes.

Statute Change - 82-4-311 - Amend to allow a portion of the funds to be diverted to indirect costs of the department.

Impact on Public - Less money would be available to complete reclamation projects, or the fines, fees and penalties would have to be increased to support the indirect costs.

.02096 BOND FORFEITURES -

Source of Funds - Bonds established for mining activity are forfeited for noncompliance of reclamation regulation.

Purpose of Funds - Funds are used to reclaim the incompleated reclamation projects of mining.

Restrictions of Use - No personal services are recorded as expenditures and all available funds are used on the existing projects.

Alternatives - None, cannot be used for other purposes.

Statute Change - 82-4-241, 82-4-311 & 82-4-424 - Amend to allow a portion of the funds to be diverted to indirect costs of the department.

Impact on Public - Statute would have to be changed to allow indirects to be charged to the account and the amount of the bonds would increase.

.02460 DNRC RIT Funds - Not managed by the Department.

•02458 DNRC RIT Funds - Not managed by the Department.

•02838 ENVIRONMENTAL IMPACT STATEMENTS

Source of Funds - Funds that are deposited by the miner are passed through the account to pay the contractor for an environmental impact study performed for the proposed mining activity.

Purpose of Funds - Funds are to pay for an EIS that is required of a certain mining venture.

Restrictions of Use - The account is used for payment of contractor's EIS projects after receiving the funds from the mining operators. Total funds are expended.

Alternatives - Indirect costs could be assessed to the mining company.

Statute Change - 75-1-101 ET AL - Allow the use of a portion of the funds deposited to pay for the department's indirect costs.

Impact on Public - The assessment of indirects could be charged to the mining companies and result in higher costs to the operation of mining proposals.

•02449 FOREST RESOURCES - TSI

Source of Funds - A timber stand improvement (TSI) fee is charged to the harvesters of state timber, \$23 a thousand board feet (MBF).

Purpose of Funds - The TSI program promotes the composition, condition or growth of trees on State forest lands.

Restriction of Use - TSI fees are to be deposited to the State Special Revenue Account and cannot be diverted prior to deposit, but assessing the account and funding indirects from the account could be accomplished.

Alternatives - Indirect costs could be assessed to the account, but not without increases in the TSI fee.

Statute Change - 77-5-204, MCA. The statute does not address an indirect charge, but does relate as to the method of depositing, a fee change requires legislative approval.

Impact on Public - Funding indirects with TSI funds would require an increase of \$1.00 per MBF if the projected charge of \$25,000 was initiated. If the program was reduced by the indirect costs, the number of seedlings would be reduced by

approximately 80,000 per year or about a quarter of the current planting program. This would result in poorer reforestation of harvest units, reduced long-term timber production, and greater short-term conflicts between timber production and environmental issues. This would also reduce both short-term and long-term trust income.

• 02073 Forest Resources - Slash

Source of Funds - Charge to private forest landowners for slash control based on MBF per agreement per year. Sixty cents MBF up to 500,000 MBF.

Purpose of Funds - Assure that fire hazard caused by logging and other forest management operations on private forest land is adequately reduced.

Restrictions of Use - Indirects can be charged.

Alternatives - Slash fees support personal services that verify the slash conditions of the private forest landowners, services cannot be reduced, therefore fees would have to be increased to 80 cents per MBF per year per agreement.

Statute Change - 76-13-444, MCA - Increased Fees would have to be approved by the Department of State Lands and the Land Board.

Impact on Public - A rate increase would be born by HRA Contractors (Loggers) and non industrial private landowners, loggers would bear the direct increase but would typically pass the costs onto the non-industrial landowner in reduced price bids for standing timber.

• 02031 FOREST RESOURCES - NURSERY

Source of Funds - Sale of seedlings to private landowners.

Purpose of Funds - Conservation planting on state and private lands for shelterbelts, windbreaks, wildlife habitat improvement, reclamation and reforestation.

Restrictions of Use - No restrictions, indirects could be charged to the account.

Alternatives - Approximately \$10,000 would be required of the account, raising the price of trees would be our only alternative as the program could not be cut without seriously reducing services to the public.

Statute Change - Tree prices are administratively set, the legal cite is 76-13-111.

Impact on Public - The primary consequence of raising our tree prices would be a loss of incentive to private landowners to purchase trees for conservation plantings. Because we use General Fund in our nursery budget, we are currently able to sell trees at a below market price, which encourages landowners to buy and plant trees. By raising the price we may hit a level of price resistance by landowners, which would result in decreased sales, decreased income and fewer trees planted in Montana.

• 02837 FOREST RESOURCES - BRUSH

Source of Funds - A brush fee is assessed to the harvester of timber, \$1.25 per thousand board feet (MBF) to insure clean up and restoration.

Purpose of Funds - The harvesters of timber must meet brush disposal standards and forest management practices. The fee is used if the logger fails to adequately clean up the prescribed areas and it becomes the state's responsibility.

Restrictions of Use - The brush disposal fees are authorized under 77-5-204, MCA. This statute requires the brush fees to be deposited in the state special revenue account to the credit of DSL. Therefore the legality of assessing indirect charges would seem to depend on how it is done. If a percentage of income were diverted directly to another account as it is earned, this would probably be illegal under terms of this statute. However, funding a portion of the Central Management Division budget annually with brush funds already on deposit should be legal.

Alternatives - A fee increase in the brush fee of 12 cents (from \$1.25 to \$1.37 per MBF) would be needed to cover the suggested charge of \$20,000. A reduction in the program would reduce the brush disposal work by about 600 acres annually. This would compromise our ability to comply with legal hazard reduction requirements on 12 to 15 percent of the acres harvested annually. The fee increase would also impact trust revenues from timber sales.

Statute Change - 77-5-204, MCA, Interpretation of statute of how the charge would be assessed would have to be determined.

Impact on Public - The fee increase would impact trust revenues from timber sales, timber sale purchasers would reduce their stumpage bids to make up for the increased fees.

02039 FIRE ASSESSMENT TAX

Source of Funds - A fire assessment fee charged to forest landowners. Currently our fee structure requires a \$20 minimum fee and a 17 cents per acre charge for every acre over 20.

Purpose of Funds - The fire management program (funded 1/3 assessments and 2/3 General Fund) provides fire protection to the forest landowners, specifically for fire suppression and presuppression activities.

Restrictions of Use - Currently the statute (76-13-207, MCA) states that the Department may charge no more than one-third of the fire management budget from assessments on owners of classified forest land.

Alternatives - To legally fund CMD from assessment revenue a statute change would have to be implemented to allow overhead costs to be included as a cost to the fire management program or to specifically allow us to fund CMD overhead with assessment fees.

Statute Change - Sections 76-13-208 and 76-13-111(1), MCA.

Impact on Public - In order to maintain the current Fire Management budget and provide \$60,000 to CMD, we would raise the minimum fee to \$21.50 (7.5% increase), or use a combination of a \$1.50 increase in the minimum fee and an increase of 1½ cents in the per acre fee. The current statute sets a cap of \$30 and 20 cents/acre. Any increase in the minimum fee would affect every landowner in the Fire Protection Program, which currently equals 44,926 owners. An increase in the per acre fee will affect approximately 10,476 owners.

The summary of the above accounts emphasizes one main point - The financial impact of charging indirect cost to these accounts will have a direct impact on the school trust fund and the public that pays the fees. Trust revenue would have to be increased for the resource development account about .3%; less money would be available for reclamation projects, bond amounts would increase, the cost of EIS's would increase and the state special accounts related to forestry would have a substantial impact on the collected funds. The current high cost of harvesting timber would increase. Increases in the timber stand improvement program, and the slash program would increase timber costs, plus the prices in our nursery program would be less advantageous. Landowners would be resistant to purchase the seedlings. The brush fee would increase and the fire assessment tax to the landowner would have to be increased in the minimum fee and the per acre charge.

The department in conducting its study of indirect cost proposals conferred with many of our similar agencies and confirmed that the "most equitable" method of determining a rate was the rate set by our federal cognizant agency. The rate is based on the total activity of administrative support and is consistent with many agencies in state government. The current rate for the Department of State Lands is 6.9%.

The next decision was to determine what accounts would be appropriately charged and the impact of funds being diverted from those accounts. We also had to determine what allowable charges were applicable and what activity represented the administrative charge. The Resource Development account was eliminated as any increase in obligation to the account would reduce the amount deposited to the school trust, and as discussed earlier, the RIT accounts are not managed by our agency and they were subsequently eliminated.

The remaining seven accounts, two in the Reclamation Division and five in the Forestry Division could be assessed the 6.9%, but not without additional costs to the public. Sufficient balances in the accounts to meet the indirect cost obligation are not available. The cost of indirects would have to be passed on to the landowner, the miner or the logger.

Based on the allowable expenditures the FY93 rate of 6.9% would generate:

ACCOUNT	FY91 ALLOWABLE EXPENDITURES	FY93 6.9%
02451 Reclamation Fines, Fees & Penalties	\$772	\$54
02838 Environmental Impact Statements	\$71,355	\$4,924
02031 Nursery	\$145,072	\$10,010
02039 Fire Assessment	\$861,786	\$59,464
02073 Slash	\$141,862	\$9,789
02449 TSI	\$372,041	\$25,671
02837 Brush	<u>\$271,675</u>	<u>\$18,746</u>
TOTAL	\$1,864,563	\$128,658

Department of State Lands Recommendation

Although we realize that the allocating of administrative costs is the fair and equitable approach to sharing the costs of Central Management, we have serious reservation as to the practicality and wisdom of formalizing the proposed option. Our main concern is the fiscal impact on the private sector; we know that those entities affected by the increases in fees are the operations that are the hardest hit by the economic situation. We know that the impact will be substantial and that the ramifications will be well voiced. Therefore, we recommend that the current funding of Central Management be continued.

The Department of State Lands, was directed by the 1991 Legislative Assembly to conduct a study of options and methods for allocating administrative costs to the various state special revenue accounts. The following is the results of our study and the recommendation of the department.

The two common methods of allocating the cost of providing administrative functions to a department are (1) based on personal services costs or (2) applying the federal indirect cost rate. Both methods require access to the state special accounts and in many cases statute changes would have to be approved by the Legislature. But beyond the methodology, is the question of using such funds to support administrative costs, why the funds are collected?, for what purpose?, how the funds are used?, and the impact of redirecting the revenue to other purposes and how that impacts the user that pays the fee.

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Restrictions of Use - The brush disposal fees are authorized under 77-5-204, MCA. This statute requires the brush fees to be deposited in the state special revenue account to the credit of DSL. Therefore the legality of assessing indirect charges would seem to depend on how it is done. If a percentage of income were diverted directly to another account as it is earned, this would probably be illegal under terms of this statute. However, funding a portion of the Central Management Division budget annually with brush funds already on deposit should be legal.

Alternatives - A fee increase in the brush fee of 12 cents (from \$1.25 to \$1.37 per MBF) would be needed to cover the suggested charge of \$20,000. A reduction in the program would reduce the brush disposal work by about 600 acres annually. This would compromise our ability to comply with legal hazard reduction requirements on 12 to 15 percent of the acres harvested annually. The fee increase would also impact trust revenues from timber sales.

Statute Change - 77-5-204, MCA, Interpretation of statute of how the charge would be assessed would have to be determined.

Impact on Public - The fee increase would impact trust revenues from timber sales, timber sale purchasers would reduce their stumpage bids to make up for the increased fees.

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Source of Funds - A fire assessment fee charged to forest landowners. Currently our fee structure requires a \$20 minimum fee and a 17 cents per acre charge for every acre over 20.

Purpose of Funds - The fire management program (funded 1/3 assessments and 2/3 General Fund) provides fire protection to the forest landowners, specifically for fire suppression and presuppression activities.

Restrictions of Use - Currently the statute (76-13-207, MCA) states that the Department may charge no more than one-third of the fire management budget from assessments on owners of classified forest land.

Alternatives - To legally fund CMD from assessment revenue a statute change would have to be implemented to allow overhead costs to be included as a cost to the fire management program or to specifically allow us to fund CMD overhead with assessment fees.

Statute Change - Sections 76-13-208 and 76-13-111(1), MCA.

Impact on Public - In order to maintain the current Fire Management budget and provide \$60,000 to CMD, we would raise the minimum fee to \$21.50 (7.5% increase), or use a combination of a \$1.50 increase in the minimum fee and an increase of 1½ cents in the per acre fee. The current statute sets a cap of \$30 and 20 cents/acre. Any increase in the minimum fee would affect every landowner in the Fire Protection Program, which currently equals 44,926 owners. An increase in the per acre fee will affect approximately 10,476 owners.

The summary of the above accounts emphasizes one main point - The financial impact of charging indirect cost to these accounts will have a direct impact on the school trust fund and the public that pays the fees. Trust revenue would have to be increased for the resource development account about .3%; less money would be available for reclamation projects, bond amounts would increase, the cost of EIS's would increase and the state special accounts related to forestry would have a substantial impact on the collected funds. The current high cost of harvesting timber would increase. Increases in the timber stand improvement program, and the slash program would increase timber costs, plus the prices in our nursery program would be less advantageous. Landowners would be resistant to purchase the seedlings. The brush fee would increase and the fire assessment tax to the landowner would have to be increased in the minimum fee and the per acre charge.

The department in conducting its study of indirect cost proposals conferred with many of our similar agencies and confirmed that the "most equitable" method of determining a rate was the rate set by our federal cognizant agency. The rate is based on the total activity of administrative support and is consistent with many agencies in state government. The current rate for the Department of State Lands is 6.9%.

The next decision was to determine what accounts would be appropriately charged and the impact of funds being diverted from those accounts. We also had to determine what allowable charges were applicable and what activity represented the administrative charge. The Resource Development account was eliminated as any increase in obligation to the account would reduce the amount deposited to the school trust, and as discussed earlier, the RIT accounts are not managed by our agency and they were subsequently eliminated.

The remaining seven accounts, two in the Reclamation Division and five in the Forestry Division could be assessed the 6.9%, but not without additional costs to the public. Sufficient balances in the accounts to meet the indirect cost obligation are not available. The cost of indirects would have to be passed on to the landowner, the miner or the logger.

Based on the allowable expenditures the FY93 rate of 6.9% would generate:

ACCOUNT	FY91 ALLOWABLE EXPENDITURES	FY93 6.9%
02451 Reclamation Fines, Fees & Penalties	\$772	\$54
02838 Environmental Impact Statements	\$71,355	\$4,924
02031 Nursery	\$145,072	\$10,010
02039 Fire Assessment	\$861,786	\$59,464
02073 Slash	\$141,862	\$9,789
02449 TSI	\$372,041	\$25,671
02837 Brush	<u>\$271,675</u>	<u>\$18,746</u>
TOTAL	\$1,864,563	\$128,658

Department of State Lands Recommendation

Although we realize that the allocating of administrative costs is the fair and equitable approach to sharing the costs of Central Management, we have serious reservation as to the practicality and wisdom of formalizing the proposed option. Our main concern is the fiscal impact on the private sector; we know that those entities affected by the increases in fees are the operations that are the hardest hit by the economic situation. We know that the impact will be substantial and that the ramifications will be well voiced. Therefore, we recommend that the current funding of Central Management be continued.

